

Election and Estates: What You Need to Know for Effective Succession Planning

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Setting the (Tax) Stage for the Election

- On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act (TCJA) into law
- The TJCA was the first major overhaul of the tax code in a generation and is generally seen as the premier legislative achievement of President Trump's first term
- Contained many changes to individual, business, nonprofit, and estate taxes
- Most of the business tax changes made by the TCJA are permanent
- Most of the changes to the individual and estate tax rules are set to expire on 12/31/2025 creating a "tax cliff"
- The Lifetime Estate Tax Exemption was doubled from \$5.6M to \$11.2M (adjusted for inflation annually)
- Exemption is \$13,990,000 for 2025





Election Results

- Donald Trump (R) was elected to a second term as president
- Republicans will have a 53-47 majority in the Senate
- Republicans will have a 220*-214* seat majority in the House of Representatives
- 1 race remains uncalled
- First Republican “trifecta” since 2016-2017, when the Tax Cuts and Jobs Act was passed



Outlook for Estate Taxes

- The new congress is widely expected to pass legislation that extends most of the TCJA changes, including the increased estate tax exemption
- Details of what that law will look like, such as how long any extensions will be, and whether or not additional changes to the tax code will happen are up in the air



What to Watch for in Congress

- Any changes to the tax code will be done through “budget reconciliation”, which will only require 50 votes in the Senate. Most other legislation requires 60 votes due to filibuster.
- Narrowness of House Majority – three Republicans who were elected will not be taking their seats due to cabinet appointments or other reasons. Will at least temporarily result in a majority of only two or three seats.
- Do they try to include tariff legislation with tax legislation for budgetary reasons?
- Biggest issue might be what to do with the SALT cap
- The legislative process for a tax bill will begin as soon as the new congress takes office, but specific provisions will not be known for at least a few months
- Where do taxes fall on the “to do” list?

What Now?

- The election results are **not** a permission slip to do nothing when it comes to estate planning
- Some of the urgency is removed and decisions can be made in a more deliberate manner instead of rushing to get things done before the cliff on 12/31/2025.
- Taking actions now can significantly reduce future estate tax, even if the exemption stays at elevated levels



The Next Mountain

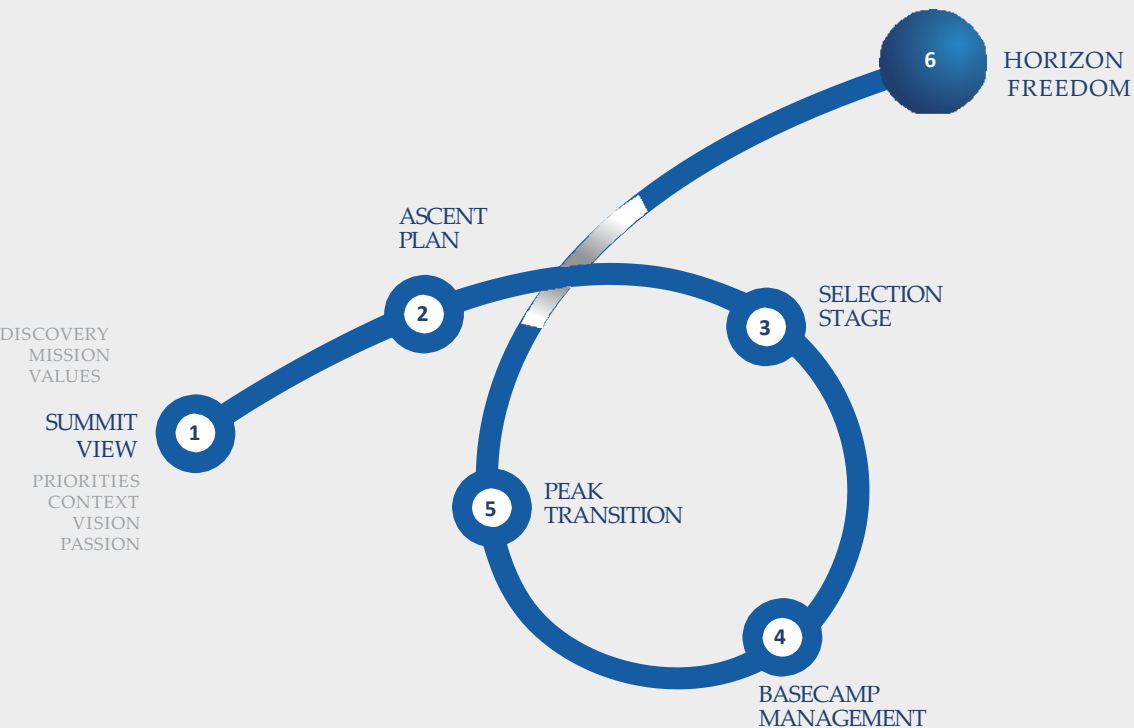
Transition Specialists. Financial Leadership

The sale of a business is time for excitement, opportunity and considerable financial and personal complexity. It is the summit of sometimes many years of hard work and sacrifice and holds the promise of an entirely new lifestyle. However, the multitude of options and decisions at this critical time can sometimes be overwhelming and it is difficult to know where to turn and whom to trust.

At Gryphon Financial Partners, we bring an uncommon level of experience with the personal and financial elements unique to the sale of a business. We guide our clients through this transition and provide ongoing financial leadership, wealth management and family support beyond. Our proprietary, six-step method navigates the sale of your company first and then leverages an understanding of your values to define and protect your financial life for the next mountains you'll climb.



The Next Mountain



Step 1: SUMMIT VIEW

We listen, learn and share about our process. Using our **Next Mountain Workbook** we help you define priorities, opportunities and a realistic vision for your wealth.

Step 2: ASCENT PLAN

We outline the process of a sale, define a valuation range and align it with your future cash flow needs to provide our unique **Peak Cashflow Model**, which helps you envision a more accurate post-sale lifestyle.

Step 3: SELECTION STAGE

The next step is the hiring of a banker. We facilitate meetings and navigate the details, then using our Investment Banker Selection Matrix, aid you in evaluation and negotiations to ensure an efficient and optimal selection.

Step 4: BASECAMP MANAGEMENT

Acting as a personal CFO, we build post-exit investment management strategies. We structure the conversion of the business to a liquid asset, create creditor protection strategies, tax savings and planning for your family's finances, and integrate all relevant professionals into a cohesive board of advisors.

Step 5: PEAK TRANSITION

We then shepherd the sale through completion acting as your advocate throughout. Using our **Right Buyer Filter**, we compare potential buyers, consult with you on negotiations and offers, and map them against your financial goals and personal values.

Step 6: HORIZON FREEDOM

Though the sale may be finalized, our relationship is not. Following the sale, we continue our relationship toward the ongoing management of your financial affairs, leaving you free to embark on the next stage of your life with confidence, enjoyment and fulfillment.



Workbook

- Successful business owners are visionaries. They possess the ability to see a future they want, create a plan to attain it and to gather the necessary resources. They learn from the past, manage the present and concentrate their efforts on the future. It is this great vision, matched with capability, that makes our country tick.
- At Gryphon Financial Partners, we have great respect and affinity for business owners, for their abilities and for the part they play in our nation's story. This is why we choose to advise and work with them.
- The Next Mountain Workbook was designed to support successful business owners who are transitioning out of a current business. The focus of this workbook is to capitalize on the visionary capability by designing "life after the sale," or as we like to say, "The Next Mountain."



A Life's Work

A major time of transition gives us a unique opportunity to learn lessons accessible only with fresh hindsight. Please give some thought to the following questions.

Your answers will impact your future.

I started this business because:

Owning a business taught me:

My mission, through my business was to:

My personal mission is to:

My family mission is to:

If I could pass-on lessons or advice from my experience of owning this business, they would be:

Owning my business has made me really good at:



The Next Mountain Vision

Please describe your ideal lifestyle, after the sale of your business. Consider with whom you spend your time, what you are doing and where you live. Think about what gives you purpose, what drives you and how you feel about your life.



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Vision

We have sold the business, and we are actively pursuing new passions and activities. We eat healthy, we are fit and have the energy to pursue our dreams. The girls are thriving! We have been able to instill many of the great lessons we learned from our careers to mentor and coach them towards their dreams. We are active in the community and feel both our wealth and our talents are making an impact. We are enjoying our time as a couple and regularly make time for each other, including travel and time with friends and family.



Focus Areas



HEALTH

- Workouts
- Nutrition
- Sleep



FAMILY & FRIENDS

- Quality time as a couple
- Connect regularly with the girls
- Mentor and teach life and business lessons
- Spend time with extended family
- Entertain and organize gatherings with friends
- Expose kids to new cultures and experiences



NEW ACTIVITIES

- Golf Lessons
- Cooking Classes
- Learn a Musical Instrument



INTERESTS

- Volunteer Landscaping
- Mentorship Opportunities



NEW HABIT DEVELOPMENT

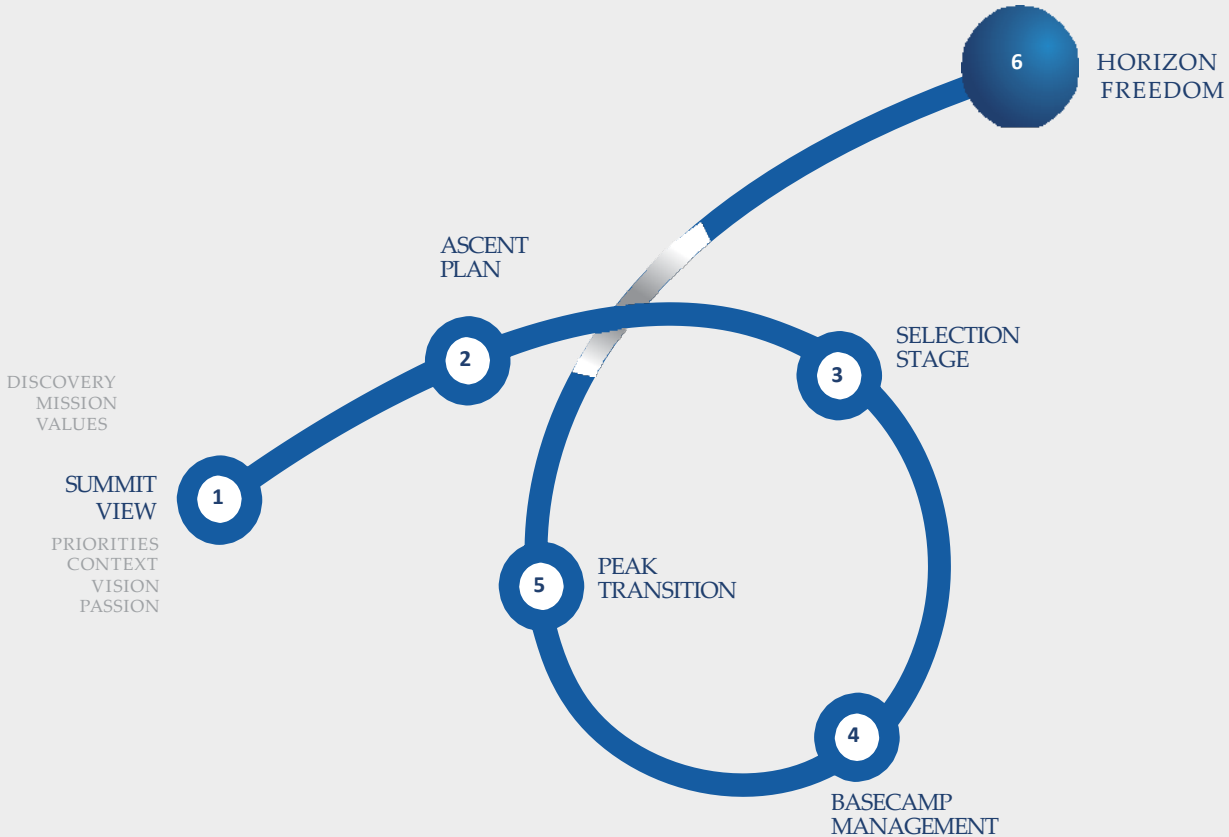
- Routine
- Health
- Nutrition
- Interests

Life Lessons and Business Insights

- **People:** Quality people influence and drive; the wrong people can kill you
- **Relationships:** invest in the right ones, run from the wrong ones
- **Mentoring & Leading**
- **Decision Making:** what you do has impact on many; be aware and be strategic
- **Team Building:** the enjoyment, the challenge, the reward
- **Strategic Planning:** build the vision and be thoughtful about decisions along the way



The Next Mountain



At Gryphon Financial Partners, it is our goal and our honor to safeguard clients' business equity, family's lifestyle, personal wealth and legacy.

We are long-standing advisors in guiding clients through successful exits from their companies. Much of this success comes from the amount of time we devote to helping them understand and anticipate what they want to accomplish next.





Wills and Trusts in Effective Estate Planning

- Wills
 - Generally necessary components of an effective estate plan
 - Probate vs. Non-probate
 - Most Wills “pour over” into trusts
- Trusts
 - Revocable vs. Irrevocable
 - Lifetime vs. Testamentary
 - Grantor vs. Non-Grantor





Wills and Trusts in Effective Estate Planning

- Revocable Trusts
 - Joint Trusts
 - Generally reliant upon the marital deduction
 - “Double” step-up opportunities
 - Disclaimer Trusts
 - Wait and see approach
 - A/B Trusts
 - Isolates FET exempt assets away from marital deduction assets
 - A/B/C Trusts
 - Further accounts for GST exempt assets away from FET exempt assets away from marital deduction assets



Wills and Trusts in Effective Estate Planning

- Revocable Trusts
 - On first death, generally benefit surviving spouse
 - On spouse's death: GPOA vs. QTIP/LPOA
 - Pot trusts vs. Separate shares
 - Mandatory distributions vs. Ascertainable standards



Wills and Trusts in Effective Estate Planning

- Irrevocable Trusts

- Alphabet soup: IDGT, QPRT, SLAT, GRAT, CRUT, ILIT, etc.
- Completed gifts vs. Incomplete gifts
- Discounting
- Freezing



Wills and Trusts in Effective Estate Planning

- Installment sale to an IDGT
 - Can be combined with other approaches
 - Impactful way to sell or engage in part-gift-part-sale to: (a) create liquidity stream to grantor (but inclusion); (b) discount; and (c) freeze
 - Sale terms need to look “market”
 - For income tax purposes, you cannot sell to yourself



Wills and Trusts in Effective Estate Planning

- Spousal Lifetime Access Trust
 - Generally solves the inclusion issue for installment sales
 - Spouse has lifetime access to the trust assets...if necessary
 - Must avoid reciprocal trust doctrine
 - Commonly used in connection with FLP/FLLC structures



Wills and Trusts in Effective Estate Planning

- Grantor Retained Annuity Trusts and Qualified Personal Residence Trusts
 - Generally viewed as one or the other depending on interest rates
 - GRATs can be effective in lower interest rate environments and there is the ability to have a “zeroed out” GRAT (lower rates permit lower annuity payments and thus greater appreciation)
 - QPRTs can be effective higher interest rate environments (higher rates produce a larger discount for the residual gift amount)
 - Inclusion risk

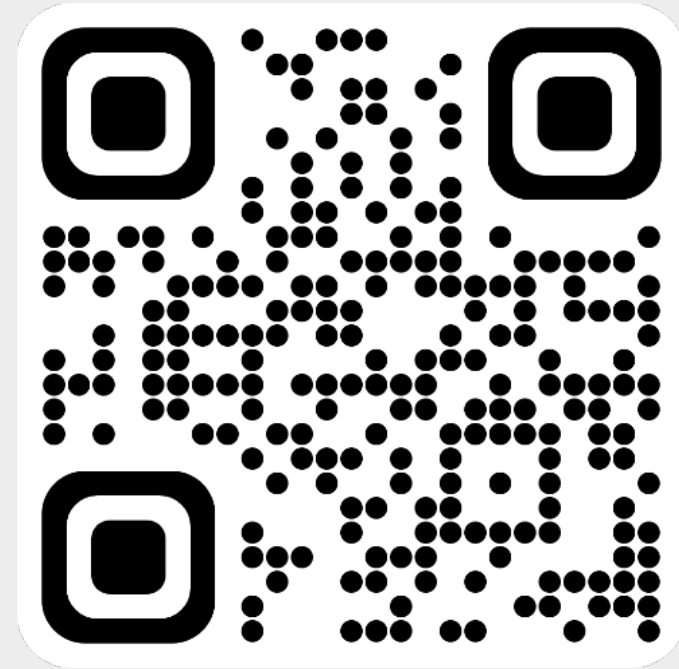
Questions



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**Evaluation
Survey**



**Upcoming GBQ
Events**